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Financial Report
of
GEO. A. HORMEL & COMPANY
AUSTIN, MINNESOTA
for the
Fiscal Year Ended October 29, 1960



The Centenary of George A. Hormel

One hundred years ago, December 4, 1860, Geo. A. Hormel, founder of the Hormel company, was born. On this centennial, the members of the present-day Hormel organization have a sense of gratitude that he established the company so well that it has continued to be a stable, developing source of employment, and an efficient server of the public, these many years.

It was in the latter half of 1891, that Mr. Hormel, then 31 years old, began with his own hands remodeling and adding to the little vacated creamery building on the north bank of the Red Cedar at Austin; making it over into the abattoir that became Geo. A. Hormel & Company. Despite hard times and keen competition, and harassments for money, which the growing packinghouse needed in even more growing amounts, Mr. Hormel brought the business through. Indeed, he established a country-wide and an international reputation for Hormel quality product, and for uniformity of product within the grade.

He built the foundation of the Hormel company extremely well. He built not only the foundation, but the sense of character, the design of conduct, and the policies, of the Hormel company so well that the company has continued to this day its record of year by year growth.

Mr. Hormel retired to California in 1927 but as chairman of the board had a hand in the direction of the company until his death, June 5, 1946.

The people of the Hormel company recognize the centenary of George A. Hormel as a notable one in the history of our country, and Mr. Hormel, himself, as a genuinely great man.

Austin, Minnesota
November 30, 1960

To the Stockholders of
Geo. A. Hormel & Company

The management of your company presents herewith statements of the financial position, operating results, and stockholders' investment for the year which ended October 29, 1960.

Dollar sales for the year, after returns and allowances, were \$372,275,827, a decrease of 7.3% under a year ago.

Sales tonnage was 1,122,323,026 pounds, a decrease of 3.8% from a year ago. It is the sixth consecutive year in which tonnage has exceeded one billion pounds.

After providing \$6,233,163 for all taxes, net earnings for the year were \$4,532,616, or \$4.03 on each share of common stock. A year ago net earnings were \$5.11 a share, after adjustment for the two-for-one common stock split in January of 1960.

The comparison of net profit to sales continues to be low—it being only 1.2 cents per dollar of sales. The profit per hundredweight of product sold was 40 cents.

The decrease in earnings and the reduction in dollar sales volume were brought about, for the most part, by the declining price levels of dressed beef, together with totally unsatisfactory results in the beef operation, and by the constant problem of obtaining adequate margins on smoked meats, particularly hams and bacon. Although the supply of beef increased somewhat during the year, hogs were steadily less plentiful as the year progressed.

The working capital of the company was \$27,933,903, a decrease of \$254,722 from last year. The sum of cash, Government securities and accounts receivable exceeded current liabilities by \$6,944,732 and all liabilities by \$2,144,732. Depreciation for the year was \$2,186,184, as compared to capital expenditures of \$1,951,334.

As stated in the financial report, we continue to price our inventory at the lower of cost or market.

Pursuant to the approval of stockholders at our annual meeting in December of 1959, the company split the common stock as of January 29, 1960, on a two-for-one basis, making the total issued and outstanding common stock 1,125,300 shares. The annual dividend was increased 12% to \$1.40 a share on this stock after the split. This payment maintained a continuous dividend record of thirty-two years.

The redemption of the 6%, Series A, preferred stock, called as of February 15, 1960, has been completed with the exception of a few shares that have not as yet been presented for payment.

During the year, the company improved the production and distribution facilities of its branch house organization, particularly at Fresno, California, and Chattanooga, Tennessee. Capital improvements of a moderate nature were also made at our plants in Fremont, Nebraska, and Fort Dodge, Iowa. These investments, together with expenditures under

an established program of repair and maintenance, are designed to preserve and increase the operating efficiency of all those facilities.

During the year, the company purchased some unimproved land at Princeton, Illinois, located in an area where there are plentiful supplies of livestock. As yet, there are no finalized plans for its utilization.

The Joint Earnings distribution to eligible employees, the twenty-second consecutive such distribution, amounted to \$1,253,525, or 1.396 checks for each employee, based on a 40-hour week. In addition, the company contributed \$1,500,000 to the employees' pension plans.

As in prior years, an advance payment of \$1,200,000 was made on the term loan, reducing the balance to \$4,800,000, with no payment due until November 15, 1961. Other than this balance on the term loan, the company had no borrowed money at the end of the fiscal year.

Under union agreements negotiated a year ago, the company put into effect a general wage increase of 6½ cents per hour as of September 1, 1960, and two cost-of-living increases, the first of 1 cent per hour on January 4, 1960, and the second of 2 cents per hour on July 4, 1960—total wage increases during the year of 9½ cents per hour.

The new line of canned products, Famous Foods of the World, has received splendid acceptance by the consumer public. Additional and improved facilities for the manufacture and distribution of these products are being diligently progressed.

The company continues to advertise its principal products on a national basis. In addition, we have increased the sectional and local advertising on certain other products, such as bacon, frankfurters and sausage.

We are enclosing with this report a proposal to merge Hormel Incorporated with and into Geo. A. Hormel & Company. If approved, the merger will make available to the company additional operating and capital funds with which to accelerate an expansion and modernization program. Your Board of Directors recommends adoption of the merger proposal by the stockholders.

Your company enters the new year with confidence in the ability of its personnel to profitably process and distribute the livestock which our producers make available to us. Present indications are that beef supplies will continue to increase. Due to a more widespread practice of the multiple farrowing program, we anticipate the marketings of hogs next year will be more uniform than in the past. At the same time, we are mindful that these supplies of hogs may not show any marked variation until the forepart of next year, when some slight increase is forecast.

We record with sorrow the passing of Benjamin F. Hormel and John G. Hormel, both former long-time directors and officers of the company, and both brothers of the founder of the company, George A. Hormel.

Again, we want to express our sincere appreciation for the support and cooperation of our employees, our customers, our livestock producers and our stockholders.

H. H. COREY
Chairman of the Board

R. F. GRAY
President

GEO. A. HORMEL

Statement of Financial Position

October 29, 1960

CURRENT ASSETS

Cash	\$ 7,120,371
United States Government securities—at cost which approximates market price	7,122,371
Accounts receivable, less allowance of \$100,000	14,378,210
Inventories of products, livestock, packages and materials—at lower of cost (principally first-in, first-out) or market	20,734,513
Prepaid insurance and other expenses	254,658
Total Current Assets	<u>\$49,610,123</u>

CURRENT LIABILITIES

Accounts payable and accrued expenses	\$18,249,843
Dividends payable November 15	393,855
Federal taxes on income—estimated	3,032,522
Total Current Liabilities	<u>21,676,220</u>

WORKING CAPITAL	<u>\$27,933,903</u>
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INVESTMENTS—at cost	107,500
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PROPERTY, PLANT AND EQUIPMENT

on the basis of cost

Land	\$ 422,690
Buildings (\$18,223,519) and equipment	41,130,584
Less allowances for depreciation	23,135,528
Movable equipment—inventoried at cost, less depreciation	17,995,056
	<u>741,263</u>
	<u>19,159,009</u>
	<u>\$47,200,412</u>

LONG-TERM DEBT

Unsecured notes payable to banks, \$1,200,000 due annually on November 15, 1961 through 1963, and on June 30, 1964	4,800,000
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STOCKHOLDERS' INVESTMENT	<u>\$42,400,412</u>
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Statement of Stockholders' Investment

Fiscal Year Ended October 29, 1960

CAPITAL STOCK

(At October 29, 1960)

Common stock, par value \$7.50 a share:

Authorized 1,300,000 shares

Issued and outstanding 1,125,300 shares \$10,230,000

EARNINGS REINVESTED IN BUSINESS

Balance November 1, 1959	\$29,307,167
Net earnings for the year	<u>4,532,616</u>
	<u>\$33,839,783</u>

Deduct:

Premium on retirement of preferred stock	\$ 93,951
Cash dividends on common stock — \$1.40 a share	<u>1,575,420</u> <u>1,669,371</u>

Balance October 29, 1960 (under provisions of long-term debt agreement \$16,005,620 not available for cash distribution on com- mon stock)	<u>32,170,412</u>
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TOTAL STOCKHOLDERS' INVESTMENT	<u>\$42,400,412</u>
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STATEMENT OF EARNINGS

Fiscal Year Ended October 29, 1960

SALES (less returns and allowances)	\$372,275,827
Other income	576,264
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	\$372,852,091

COST, EXPENSES AND TAXES

Cost of products sold, selling, delivery, ad-	
ministrative and general expenses, ex-	
clusive of items shown separately	\$288,109,033

Wage costs:

Wages and salaries, in-	
cluding joint earnings	\$65,892,694
Pension trust contribu-	
tions	1,500,000
Federal and state unem-	
ployment and old age	
contributions	1,427,734
Group life, hospitaliza-	
tion and sick leave	2,470,566
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Provision for depreciation	71,290,994

Interest	2,186,184
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	500,101

Taxes:

State income, property	
and other taxes	\$ 1,608,163
Federal taxes on income	
(estimated)	4,625,000
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	6,233,163
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	368,319,475

NET EARNINGS	\$ 4,532,616
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FIVE YEAR REVIEW

(In thousands of dollars)

	1960	1959	1958	1957	1956
Sales	\$372,276	\$401,723	\$373,181	\$347,989	\$333,035
Net earnings	4,533	5,839	3,000	3,315	5,126
Wage costs	71,291	71,154	63,828	61,357	61,318
Total taxes	6,233	7,667	4,462	4,336	6,286
Depreciation	2,186	2,165	2,105	2,061	1,957
Properties (net) ..	19,159	18,686	19,126	19,863	19,447
Working capital ..	27,934	28,189	24,606	23,667	23,461
Stockholders' investment	42,400	40,983	36,637	35,130	33,308

<i>Sales tonnage (million pounds)</i>	1,122	1,167	1,001	1,060	1,157
<i>Net earnings to:</i>					
<i>Sales</i>	1.2%	1.5%	.8%	1.0%	1.5%
<i>Sales tonnage (cwt.)</i>	40¢	50¢	30¢	31¢	44¢
<i>Per share earnings on common stock (adjusted)</i>	\$4.03	\$5.11	\$2.59	\$2.87	\$4.48

ACCOUNTANTS' REPORT

To the Stockholders and Board of Directors
Geo. A. Hormel & Company
Austin, Minnesota

We have examined the financial statements of Geo. A. Hormel & Company for the fiscal year ended October 29, 1960. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the accompanying Statements of Financial Position, Earnings, and Stockholders' Investment present fairly the financial position of Geo. A. Hormel & Company at October 29, 1960 and the results of its operations for the fiscal year then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

ERNST & ERNST
Certified Public Accountants

Minneapolis, Minnesota
November 21, 1960

OFFICERS

H. H. Corey	-	-	-	-	-	-	Chairman of the Board
R. F. Gray	-	-	-	-	-	-	President
M. B. Thompson	-	-	-	-	-	Executive	Vice President
R. D. Arney	-	-	-	-	-	-	Vice President
Bruce Corey	-	-	-	-	-	-	Vice President
E. J. Garrity	-	-	-	-	-	-	Vice President
R. D. Gower	-	-	-	-	-	-	Vice President
T. H. Hocker	-	-	-	-	-	-	Vice President
John R. Jones	-	-	-	-	-	-	Vice President
J. L. Olson	-	-	-	-	-	-	Vice President
Fayette Sherman	-	-	-	-	-	-	Vice President
Geo. W. Ryan	-	-	-	-	-	-	Treasurer
I. J. Holton	-	-	-	-	-	-	Secretary
E. H. Larson	-	-	-	-	-	-	Controller
R. C. Dougherty	-	-	-	-	-	-	Assistant Secretary
E. C. Alsaker	-	-	-	-	-	-	Assistant Controller
R. H. Biedermann	-	-	-	-	-	-	Assistant Controller

DIRECTORS

R. D. Arney

Bruce Corey

H. H. Corey

R. F. Gray

T. H. Hocker

James C. Hormel

O. L. Marquesen

Gordon Murray

J. L. Olson

Geo. W. Ryan

Fayette Sherman

M. B. Thompson

